

Message Text

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ACTION EB-07

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TAGS: ETRD, EAGR, PA

SUBJECT: REQUIRED INFORMATION FOR HOUSE OF REPRESENTATIVES
SUGAR HEARINGS

REF: STATE 141876

IN RESPONSE TO REQUEST CONTAINED REFTEL, THE FOLLOWING
INFORMATION IS PROVIDED. ANSWERS ARE KEYED TO THE
QUESTIONS CONTAINED IN PARA 2) OF REFTEL.

A. ESTIMATED PRODUCTION COSTS: \$.086/LB.

B. CURRENT LOCAL RETAIL PRICE OF REFINED SUGAR: \$ 0.122/LB

C. UNIT VALUE OF SUGAR EXPORTS DURING CY 1974: DURING
1974, PARAGUAY EXPORTED 20,000 METRIC TONS OF SUGAR FOR A
TOTAL VALUE OF \$10 MILLION. THIS GIVES AN AVERAGE OF \$500 PER
METRIC TON, F.O.B. PARAGUAYAN PORT, OR \$ 0.225/LB.

D. (1) ESTIMATED PARAGUAYAN ANNUAL SUGAR PRODUCTION:

YEAR	PRODUCTION (IN THOUSANDS OF METRIC TONS)
1975	80
1976	85

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1977 85

1978	85
1979	85
1980	85

D. (2) PROJECTED PARAGUAYAN ANNUAL SUGAR EXPORTS:

YEAR	EXPORTS (IN THOUSANDS OF METRIC TONS)
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1975	20
1976	20
1977	18
1978	16
1979	14
1980	12

E. PLANNED INVESTMENT: THERE IS ONLY ONE POTENTIAL INVESTMENT BEING DISCUSSED IN THE SUGAR INDUSTRY. A GROUP OF BRAZILIAN INVESTORS SUPPOSEDLY PLANS TO INVEST ABOUT \$80 MILLION IN A SUGARMILL COMPLEX WITH A PROJECTED CAPACITY OF 60,000-80,000 METRIC TONS PER YEAR. PROBABLY MORE THAN 50 PER CENT OF THIS INVESTMENT WILL BE FOR INFRASTRUCTURE (HOUSING FOR WORKERS, ROADS, WATER, SEWAGE, ETC) BECAUSE THE PLANT WILL BE LOCATED IN THE MIDDLE OF THE JUNGLE. UNLESS SUGAR PRICES STAY AT A VERY HIGH LEVEL (\$250 PER METRIC TON OR MORE C.I.F. US OR EUROPE), THE PROJECT IS ECONOMICALLY NOT FEASIBLE. THE PARAGUAYAN GOVERNMENT AUTHORIZED THE PROJECT WITH THE CONDITION THAT ALL THE SUGAR WOULD BE FOR EXPORT AND COULD NOT BE INCLUDED IN THE US SUGAR QUOTA.

F. GROWTH RATE OF DOMESTIC CONSUMPTION: PARAGUAY'S DOMESTIC CONSUMPTION OF SUGAR IS ESTIMATED AT 50,000-55,000 METRIC TONS PER YEAR. IT IS EXPECTED TO GROW AT A COMPOUND ANNUAL RATE OF ABOUT 3 PER CENT DURING THE PERIOD 1975-80.

G. NEITHER HOST GOVERNMENT NOR LOCAL INDUSTRY HAVE ENTERED INTO ANY LONG TERM EXPORT COMMITMENTS.

H. GOVERNMENT REGULATIONS: THE SUGAR INDUSTRY IN PARAGUAY COULD BE DEFINED AS A PERFECT OLIGOPOLY, LIMITED OFFICIAL USE

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OPERATING UNDER VERY STRICT GOVERNMENT CONTROLS. THE PRINCIPAL GOVERNMENT REGULATIONS COVER DIFFERENT ASPECTS OF THE BUSINESS, SUCH AS:

1. THE GOP ESTABLISHES THE PRICE OF SUGAR TO BE PAID TO THE SUGARMILL, FAS. IT IS THE SAME PRICE FOR ALL THE PLANS, REGARDLESS OF PRODUCTION COST.

2. THE GOP SETS THE RETAIL PRICE FOR SUGAR, ACCORDING TO QUALITY.

3. THE GOP SETS THE PRICE THAT THE SUGARMILLS HAVE TO PAY THE FARMERS FOR THE SUGAR CANE.

4. THE GOP ESTABLISHES "AREAS OF INFLUENCE" FOR THE SUGARCANE GROWERS. ACCORDING TO THE AREA, THE GROWERS HAVE TO DELIVER THEIR PRODUCT TO A SPECIFIC MILL.

5. THE GOP ESTABLISHES THE VOLUME OF SUGAR PRODUCTION FOR EACH HARVEST.

6. THE GOP ESTABLISHES THE STANDARDS FOR SUGAR AND SUGARCANE.

7. THE GOP PROHIBITS DIRECT SALE OF SUGAR BY THE MILLS TO THE RETAILER. IT HAS TO BE DONE THROUGH A "MIXED COMMISSION", CONTROLLED BY THE GOVERNMENT.

8. THE GOP ESTABLISHES EXPORT QUOTAS; ISSUES EXPORT PERMITS ON A "SALES CONTRACT" BASIS.
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